

# **EXHIBIT CE-9(A)**

Knighthead Insurance Fund I, Ltd. 2021  
Financial Statements

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# Financial Statements

Knighthead Insurance Fund I, Ltd.

For the Period From September 30, 2021  
(commencement of operations) to December 31, 2021

With Report of Independent Auditors

# 2021



# Knighthead Insurance Fund I, Ltd.

## Financial Statements

For the Period From September 30, 2021 (commencement of operations) to December 31, 2021

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## Report of Independent Auditors

The Board of Directors  
Knighthead Insurance Fund I, Ltd.

### Opinion

We have audited the financial statements of Knighthead Insurance Fund I, Ltd. (the “Fund”), which comprise the statement of assets and liabilities, including the schedule of investment, as of December 31, 2021, and the related statements of operations, changes in net assets and cash flows for the period from September 30, 2021 (commencement of operations) to December 31, 2021, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund at December 31, 2021, and the results of its operations, changes in its net assets and its cash flows for the period from September 30, 2021 (commencement of operations) to December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Ernst & Young Ltd.*

April 28, 2022

Knighthead Insurance Fund I, Ltd.

Statement of Assets and Liabilities  
(Stated in United States Dollars)

December 31, 2021

**Assets**

Cash	\$ 3,689,527
Investment in securities, at fair value (cost \$170,463,674)	<u>175,952,385</u>
Total assets	<u>179,641,912</u>

**Liabilities**

Accrued expenses	<u>84,600</u>
Total liabilities	<u>84,600</u>
Net assets	<u><u>\$ 179,557,312</u></u>

**Net asset value per share**

Class A	\$ 1,018.76
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*See accompanying notes.*

# Knighthead Insurance Fund I, Ltd.

## Schedule of Investment (Stated in United States Dollars)

December 31, 2021

	<u>Fair Value</u>	<u>Percent of Net Assets</u>
<b>Investment in securities</b>		
Private equity		
<i>North America</i>		
Insurance		
Knighthead Holdings Ltd. (15,682,031 shares)	\$ 175,952,385	97.99 %
<i>Total North America (cost \$170,463,674)</i>	<u>175,952,385</u>	<u>97.99</u>
Total private equity (cost \$170,463,674)	<u>175,952,385</u>	<u>97.99</u>
<b>Total investment in securities (cost \$170,463,674)</b>	<u><u>\$ 175,952,385</u></u>	<u><u>97.99 %</u></u>

See accompanying notes.

Knighthead Insurance Fund I, Ltd.

Statement of Operations  
(Stated in United States Dollars)

For the Period From September 30, 2021 (commencement of operations) to December 31, 2021

Investment income:	
Interest	\$ 5
Dividend income	340,000
Total investment income	<u>340,005</u>
Expenses:	
Professional fees and other	<u>2,521,404</u>
Total expenses	<u>2,521,404</u>
Net investment loss	(2,181,399)
Unrealized gain (loss) on investment:	
Net unrealized gain on investment	<u>5,488,711</u>
Net gain on investment	<u>5,488,711</u>
Net increase in net assets resulting from operations	<u>\$ 3,307,312</u>

See accompanying notes.



# Knighthead Insurance Fund I, Ltd.

## Statement of Changes in Net Assets (Stated in United States Dollars)

For the Period From September 30, 2021 (commencement of operations) to December 31, 2021

### Operations

Net investment loss	\$ (2,181,399)
Net unrealized gain on investment	<u>5,488,711</u>
Net increase in net assets resulting from operations	<u>3,307,312</u>

### Capital share transactions

Class A Subscriptions	<u>176,250,000</u>
Net increase in net assets from capital share transactions	<u>176,250,000</u>
Net increase in net assets	179,557,312
Net assets, beginning of period	<u>-</u>
Net assets, end of period	<u><u>\$ 179,557,312</u></u>

*See accompanying notes.*

# Knighthead Insurance Fund I, Ltd.

## Statement of Cash Flows (Stated in United States Dollars)

For the Period From September 30, 2021 (commencement of operations) to December 31, 2021

### **Cash flows from operating activities**

Net increase in net assets resulting from operations	\$ 3,307,312
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Purchases of investment securities	(170,463,674)
Net unrealized gain on investment	(5,488,711)
Changes in assets and liabilities:	
Accrued expenses	84,600
Net cash used in operating activities	<u>(172,560,473)</u>

### **Cash flows from financing activities**

Subscriptions	<u>176,250,000</u>
Net cash provided by financing activities	<u>176,250,000</u>

Net change in cash	3,689,527
Cash, beginning of period	-
Cash, end of period	<u><u>\$ 3,689,527</u></u>

See accompanying notes.

# Knighthead Insurance Fund I, Ltd.

## Notes to Financial Statements (Stated in United States Dollars)

### 1. Organization

Knighthead Insurance Fund I, Ltd. (the "Fund") is an exempted company incorporated in the Cayman Islands and registered under the Cayman Islands Private Funds Act. The Fund was incorporated on January 4, 2021, and commenced operations on September 30, 2021. The Fund's investment objective is to generally invest in any and all securities and instruments issued by or relating to Knighthead Holdings Ltd., a Cayman Islands exempted company ("KHL") and Knighthead Annuity & Life Assurance Company, a Cayman Islands insurance company ("KHA"), as well as any parallel funds, feeder funds, alternative investment vehicles and subsidiary entities of either of the foregoing (collectively with KHL and KHA, the "Target Companies") and to provide returns to investors upon the occurrence of liquidity events or otherwise generate distributions as a result of investments made through the Target Companies. The Fund plans to terminate upon the tenth anniversary following the final closing date, unless extended by the Fund's board of directors (the "Board") for up to two additional one year periods.

Knighthead Capital Management, LLC, a Delaware limited liability company (the "Investment Manager"), is the investment manager of the Fund. The Board has designated the Investment Manager to have sole responsibility for all investment and operational decisions of the Fund, subject to the oversight of the Board. Northern Trust Global Fund Services Cayman Limited serves as the administrator for the Fund (the "Administrator").

The Board is composed of two members and has complete authority over the management and operations of the Fund, but is not involved in the day-to-day operations. One of the directors of the Fund is an officer of the Investment Manager.

As of December 31, 2021, the Fund invests solely in KHL. The performance of this investment has a direct impact on the performance of the Fund and such impact could be significant.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The financial statements have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP"). The Fund qualifies as an investment company and, accordingly, follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board Accounting Standards Codification Topic 946, *Financial Services - Investment Companies*.

# Knighthead Insurance Fund I, Ltd.

## Notes to Financial Statements (continued)

*(Stated in United States Dollars)*

### **2. Summary of Significant Accounting Policies (continued)**

#### **Use of Estimates**

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates used in preparing its financial statements are reasonable and prudent; however, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include cash and overnight investments. Cash equivalents are highly liquid investments with less than 90 days to maturity at time of purchase. As of December 31, 2021, the Fund held no cash equivalents. Cash at December 31, 2021 was held in major banking institutions and may exceed federally insured limits. The Fund has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk with respect to its depository institutions.

#### **Investments**

Investment transactions are accounted for on a trade-date basis. Interest is recorded on the accrual basis for instruments where collectability is reasonably assured. Dividend income from portfolio investment is recorded on the date the Fund is entitled to receive a dividend from a portfolio investment. Realized gains and losses on investment transactions are recorded on a specific identification basis. Expenses are recorded on an accrual basis as incurred.

Investments are carried at fair value. The Fund values investments at independent market prices where readily available. Securities that are listed on an exchange and are freely transferable shall be valued at their last sales price on such exchange on the date of determination, or, if no sales occurred on such day, at the "bid" price at the close of business on such day if held long and if sold short at the "asked" price at the close of business on such day. Securities and other investments not traded on an exchange are valued based on independent pricing services, quotes from dealers and other unobservable inputs.

In the absence of quoted values or when quoted values are not deemed to be representative of market values, as well as for securities where no ready market exists, securities and other investments are valued at fair value based upon the Investment Manager's estimates and assumptions.

# Knighthead Insurance Fund I, Ltd.

## Notes to Financial Statements (continued)

*(Stated in United States Dollars)*

### **2. Summary of Significant Accounting Policies (continued)**

#### **Income Taxes**

The Investment Manager is required to identify uncertain tax positions of the Fund and assess the likelihood that any uncertain tax positions will be upheld upon examination by the relevant taxing authority based upon the technical merits of the position. A tax benefit is only recorded for tax positions that are deemed to be more likely than not to be sustained upon examination. If the recognition threshold is met, the tax benefit is recorded based upon the largest benefit that is deemed to have a greater than 50% likelihood of being realized upon ultimate resolution. Tax positions, including interest and penalties, deemed to meet a "more likely than not" threshold would be recorded as an expense in the current period.

Future events such as changes in tax legislation could have an impact on the provision for income taxes and the effective income tax rate. Any such changes could significantly affect the amounts reported in the financial statements in the year these changes occur.

Under the acts of the Cayman Islands, the Fund is not subject to income, estate, sales or other Cayman Islands taxes payable. The Fund is treated as a partnership for U.S. federal income tax purposes. Accordingly, no provision for U.S. federal or state income taxes has been made for the Fund in the financial statements as each investor is responsible for reporting income or loss based upon their respective share of the Fund's income and expenses as reported for income tax purposes.

The Fund's policy for interest and penalties, if any, on material uncertain tax positions recognized in the financial statements is to classify these as interest expense and operating expense, respectively.

### **3. Fair Value Measurements**

U.S. GAAP defines fair value for financial reporting, establishes a framework for measuring fair value, and requires disclosures about the use of fair value measurements. U.S. GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value.

U.S. GAAP gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Fund's portfolio investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement.

## Knighthead Insurance Fund I, Ltd.

### Notes to Financial Statements (continued)

*(Stated in United States Dollars)*

#### **3. Fair Value Measurements (continued)**

The three levels of the fair value hierarchy that prioritize inputs to valuation methods are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical assets or liabilities in inactive markets, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Pricing inputs are unobservable for the asset or liability. That is, inputs that reflect the reporting entity's own assumptions about the considerations market participants would use in pricing the asset or liability.

#### **Determination of Fair Value**

In determining fair value, the Fund uses various valuation approaches. Inputs that are used in determining fair value of an instrument may include price information, quotations received from market makers, brokers, dealers and/or counterparties (when available and considered reliable), credit data, volatility statistics and other factors. Inputs, including price information, may be provided by independent pricing services or derived from market data; in addition, inputs can be either observable or unobservable.

#### **Equity Securities (Common and Preferred Stock)**

Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Preferred stock and other equities traded on inactive markets or valued by reference to similar instruments are categorized in Level 2. Securities are categorized in Level 3 of the fair value hierarchy when value is based on unobservable market inputs or assumptions about the considerations market participants would use to price such securities.

# Knighthead Insurance Fund I, Ltd.

## Notes to Financial Statements (continued)

*(Stated in United States Dollars)*

### 3. Fair Value Measurements (continued)

#### Valuation Process

The Investment Manager establishes valuation processes and procedures to ensure that the valuation techniques for investments are fair, consistent, and verifiable. In the absence of observable market prices, the Fund values its investments using valuation methodologies applied on a consistent basis. For some investments where little market activity may exist, management's determination of fair value is then based on the best information available. In certain circumstances the Investment Manager may incorporate management's own assumptions and exercise a significant degree of judgment, taking into consideration a combination of internal and external factors. Investments for which market prices are not observable include investments in defaulted bonds of financial corporations, private notes, trade claims and credit facilities. Such investments are valued on a monthly basis by taking into consideration any changes in key observable and unobservable inputs. Changes in economic and other relevant conditions are factored into valuation models and updated accordingly.

As of December 31, 2021, the investment held by the Fund was categorized in Level 3 of the valuation hierarchy.

The following table includes investment transactions for the period from September 30, 2021 (commencement of operations) to December 31, 2021 for financial instruments classified within Level 3:

	<u>Private Equity</u>
Purchases of investment	\$ 170,463,674
Transfers into Level 3	-
Transfers out of Level 3	-

The unrealized gains and losses recorded for Level 3 investments are reported in net unrealized gain on investment in the Statement of Operations.

# Knighthead Insurance Fund I, Ltd.

## Notes to Financial Statements (continued) (Stated in United States Dollars)

### 3. Fair Value Measurements (continued)

The following table summarizes the valuation technique and significant unobservable inputs used for the Fund's investment that is categorized within Level 3 of the fair value hierarchy as of December 31, 2021:

	Fair Value at December 31, 2021	Valuation Technique	Unobservable Inputs	Range of Inputs
Assets (At Fair Value)				
Investment in securities				
Private equity	\$ 175,952,385	Discounted book value	Discount	13.3%

### 4. Related Parties

The Investment Manager provides investment management and other managerial and administrative services to the Fund and bears all operating costs and expenses incurred in connection with such services; the Fund bears all costs related to its operations and investments, certain legal and accounting fees, administrative and other similar fees and expenses as outlined in the Fund's subscription documents. The Investment Manager may pay certain Fund expenses and subsequently be reimbursed by the Fund. One officer of the Investment Manager is also a director of the Fund.

An affiliate of the Investment Manager is the investment manager of Knighthead Annuity & Life Assurance Company, which is wholly owned by Knighthead Holdings Ltd.

The Investment Manager is also the sub-advisor to Knighthead Annuity & Life Assurance Company, a subsidiary of Knighthead Holdings Ltd. An affiliate of the Investment Manager receives a management fee and performance fees in connection with such advisory services. Additionally, members of the Investment Manager serve as members of the board of directors of Knighthead Holdings Ltd. As of December 31, 2021, the Fund holds approximately 52.5% equity ownership in Knighthead Holdings Ltd.

### 5. Management Fee

The Investment Manager does not receive any management fee from the Fund.

### 6. Share Capital

The Fund offers a single class of participating class A shares of par value \$0.01 each (the "Shares"). Shares are purchased by an investor through a subscription. As of December 31, 2021, the Fund has total commitments of \$176,250,000, all of which has been called and contributed.



# Knighthead Insurance Fund I, Ltd.

## Notes to Financial Statements (continued)

*(Stated in United States Dollars)*

### 6. Share Capital (continued)

Investors may not redeem Shares at their option. Through the date that is seven years from the date Shares are purchased by an investor through a subscription, such Shares are subject to restrictions on transferability and resale (the "Lock-Up Period").

Upon the closing of an initial public offering of shares of any of the Target Companies or any other event (including a de-SPAC event) that results in either the Target Company(s) shares becoming freely tradable or the receipt by the Fund of cash or freely tradable securities in exchange for the Target Company(s) shares (a "Liquidity Event"), each investor will be permitted to elect to receive either its share of the net cash proceeds from the sale of freely tradable securities or a distribution in kind of such investor's proportionate share of such freely tradable securities. Any distributions will be preliminarily apportioned among the investors on a pro rata basis in proportion to such investor's shareholdings. The Fund is not required to make distributions to investors prior to the occurrence of a Liquidity Event. The Investment Manager does not receive any distributions in respect of carried interest from the Fund.

Net income or loss of the Fund is generally allocated among investors in proportion to their respective capital accounts. The Fund bears all costs relating to its operations and investments ("Operating Expenses"). In certain instances, the Investment Manager may exercise discretion in determining whether Operating Expenses will be borne by the Fund, the Investment Manager or other parties as outlined in the governing documents of the Fund.

Share transactions for the period from September 30, 2021 (commencement of operations) to December 31, 2021 were as follows:

		Shares Outstanding at September 30, 2021 (Commencement of Operations)	Shares Issued	Net Effect of Share Conversion	Shares Transferred	Shares Redeemed	Shares Outstanding at December 31, 2021
Class A	-		176,250.00	-	-	-	176,250.00

## Knighthead Insurance Fund I, Ltd.

### Notes to Financial Statements (continued)

(Stated in United States Dollars)

#### 7. Financial Highlights

The following represents the ratios to average net assets and other supplemental information for the period from September 30, 2021 (commencement of operations) to December 31, 2021:

	<u>Class A</u>
<b>Per share operating performance</b>	
Beginning net asset value	\$ 1,000.00
Income from operations:	
Net investment loss	(12.38)
Net realized gain on investment	31.14
Total from operations	18.76
Ending net asset value	<u>\$ 1,018.76</u>
<b>Ratios to average net assets</b>	
Expense ratio	<u>5.03 %</u>
Net investment loss	<u>(4.36)%</u>
Internal rate of return, end of period	<u>6.88 %</u>

*The internal rate of return and ratios are calculated for the class as a whole (with sub-classes within the class aggregated). The ratios represented in the above table have not been annualized.*

#### 8. Subsequent Events

Since January 1, 2022, the Fund recorded no subscriptions or redemptions. The Fund evaluated subsequent events through April 28, 2022, which represents the date the financial statements were available to be issued.